



FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION – 2025
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

Economics Past Paper-I

TIME ALLOWED: THREE HOURS	PART-I (MCQS)	MAXIMUM MARKS = 20
PART-I(MCQS): MAXIMUM 30 MINUTES	PART-II	MAXIMUM MARKS = 80
NOTE: (i) First attempted Part-I (MCQS) on the separate OMR Answer Book which shall be taken back after 30 minutes. (ii) Overwriting/cutting of the options/answers will not be given credit. (iii) There is no negative marking . All MCQs must be attempted.		

PART-I (MCQs)(COMPULSORY)

- Q.1.** (i) Select the best option/answer and fill in the appropriate Box on the **OMR Answer Sheet.(20x1-20)**
(ii) Answers given anywhere else, other than OMR Answer Sheet, will not be considered.

1. The elasticity of demand for cigarettes by a non-smoker is:

- (A) Unitary price elastic
- (B) Relatively price inelastic
- (C) Perfectly price elastic
- (D) Perfectly price inelastic

2. Which of the following is not a basic assumption of perfect competition?

- (A) Free entry and exit
- (B) Many small sellers and buyers
- (C) Perfect information
- (D) Homogenous product

3. _____ is unemployment directly related to swings in the business cycle.

- (A) Seasonal
- (B) Frictional
- (C) Cyclical
- (D) Structural

4. Which of the following does not apply to Pareto efficiency?

- (A) Consumptive efficiency
- (B) Productional efficiency

- (C) Allocative efficiency
 - (D) Equity
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5. The marginal utility of a good refers to the:

- (A) Total utility of the good prior to consumption of the last unit
 - (B) Extra utility associated with consuming another unit of the good
 - (C) Utility associated with consuming an alternative good
 - (D) Consumer surplus associated with the consumption of an alternative good
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6. Disposable income is:

- (A) The same as personal income
 - (B) Income that is used only for consumption
 - (C) Personal income remaining after income taxes
 - (D) Exclusive of social security payments or welfare
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7. A country that makes large net income payments to investors in another country is likely to:

- (A) Have a large GDP than GNP
 - (B) Have smaller GDP than GNP
 - (C) Grow slower economically than the other country
 - (D) Grow faster economically than the other country
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8. According to Keynes, the relationship between money supply and rate of interest is:

- (A) Negative
 - (B) Positive
 - (C) Indirect
 - (D) None of these
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9. Trade based on absolute advantage was presented by:

- (A) Alfred Marshall
 - (B) Adam Smith
 - (C) Lionel Robbins
 - (D) None of these
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10. The doctrine of comparative advantage says that there are gains from international trade:

- (A) Only if both comparative and absolute advantage are present in both countries
 - (B) If opportunity costs are the same in the countries involved
 - (C) Only if there are economies of scale available
 - (D) If countries specialize in the production of goods in which they are relatively more efficient
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11. The Human Development Index (HDI) ranks all countries on the scale of:

- (A) 0 to 1
 - (B) 1 to 100
 - (C) -1 to +1
 - (D) None of these
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12. Monopolistic Competition is different from Perfect Competition because of:

- (A) The large number of firms in the industry
 - (B) The lack of barriers to the entry and exit of firms
 - (C) The differentiation of the product
 - (D) The lower level of price competition in Monopolistic Competition
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13. The account in balance of payment that consists of all transactions in financial assets is known as:

- (A) Capital account
 - (B) Current account
 - (C) Official Reserve account
 - (D) None of these
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14. LM curve represents:

- (A) Equilibrium in goods market
 - (B) Budget balance
 - (C) Equilibrium in financial market
 - (D) None of these
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15. Classical economics is the:

- (A) Supply side economics
 - (B) Demand side economics
 - (C) Both (A) & (B)
 - (D) None of these
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16. Which of the following is not a component of GDP?

- (A) Consumption by households
 - (B) Investment by firms
 - (C) Public Spendings
 - (D) Rate of unemployment
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17. The relationship between inflation and unemployment is represented by:

- (A) Okun's law
- (B) Philips curve
- (C) Say's law
- (D) U shape curve

18. Increase in supply of money will positively affect:

- (A) Economic growth of the country
 - (B) Rate of unemployment
 - (C) Labour force participation rate
 - (D) Rate of inflation
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19. Automatic stabilizers are one of the _____ policy tools.

- (A) Monetary
 - (B) Trade
 - (C) Fiscal
 - (D) Investment
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20. The World Bank classifies countries into four groups. This classification is based upon:

- (A) Economic growth rate
- (B) Labour force participation rate
- (C) Unemployment rate
- (D) Gross National Income per capita

PART-II

NOTE:

- (i) Part-II** is to be attempted on the separate **Answer Book**.
- (ii)** Attempt **ONLY FOUR** questions from **PART-II**. **ALL** questions carry **EQUAL** marks.
- (iii)** All the parts (if any) of each Question must be attempted at one place instead of at different places.
- (iv)** Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
- (v)** No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
- (vi)** Extra attempt of any question or any part of the question will not be considered.

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| Q. No. 2. | How can a consumer attain equilibrium under ordinal approach? Also explain the effects of changing income and prices on consumer's equilibrium in case of normal and inferior commodities. | (20) |
| Q. No. 3. | What are the different stages of production? Explain in the light of law of variable proportions using schedule and diagrams. | (20) |
| Q.No. 4. | Explain circular flow of national income in two sector, three sector & four sector economy. Discuss the methods by which national income can be measured. Also explain advantages & shortcomings of each method. | (20) |
| Q. No. 5. | Explain quantity theory of money (QTM) and elaborate significant ingredients for effective monetary policy to accelerate economic growth in developing countries. | (20) |
| Q. No. 6. | Elaborate different canons of taxation. How these canons can be used optimally?
Suggest some policy options to maximize tax revenue in a developing country like Pakistan. | (20) |

- Q. No. 7.** Differentiate between economic growth and economic development by discussing traditional and modern measures of growth/development. **(20)**
- Q. No. 8.** Write short notes on any FOUR of the following: **(5 each) (20)**
- a. Accelerator Principle
 - b. Price Discrimination
 - c. Balance of Payments
 - d. Human Development Index
 - e. Public VS Private Goods